

Current	Previous
CMP : Rs.276	
Rating : BUY	Rating : BUY
Target : Rs.448	Target : Rs.575

STOCK INFO

BSE	532796
NSE	LUMAXTECH
Bloomberg	LUAT.BO
Reuters	LMAX IN
Sector	Auto Ancilliary
Face Value (Rs)	10
Equity Capital (Rs Mn)	136
Mkt Cap (Rs Mn)	3,599
52w H/L (Rs)	386/118.6
Avg Daily Vol (BSE+NSE)	29,239

SHAREHOLDING PATTERN

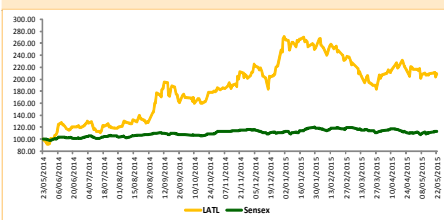
	%
(as on Mar. 2015)	
Institutions	15.43
Others, Incl Public	28.9
Promoters	55.67

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
LATL	-6	-14	109
SENSEX	0	-4	13

Source: Capitaline, IndiaNivesh Research

LATL v/s SENSEX



Source: Capitaline, IndiaNivesh Research

Daljeet S. Kohli
Head of Research

Tel: +91 22 66188826
daljeet.kohli@indianivesh.in

Abhishek Jain
Research Analyst

Tel: +91 22 66188832
abhishek.jain@indianivesh.in

Below expected performance, maintain BUY with downward revised target price of Rs 448

Lumax Auto Technologies Ltd. (LATL) reported Q4FY15 numbers below our expectation. The company witnessed 4% YoY (down 4% QoQ) growth in revenue to Rs 2 bn, vs. our expectation of Rs 2.24 bn due to slowdown in 2W sales in Q4FY15. EBITDA margin contracted by 223 bps YoY to 7.1% due to higher raw material expenses and lower capacity utilization. Net profit slid by 40% YoY to Rs 56 mn (lower than our expectation of Rs. 108 mn) due to lower operating margin and higher interest expenses. The company recommended a dividend of Rs. 7/ Share for FY15.

Rs.mn	Q4FY15	Q3FY15	Q4FY14	Q-o-Q %	Y-o-Y %	INSPL Q4FY15e	Variance(%)
Revenue	2010	2093	1934	-4	4	2,243	-10.41
EBIDTA	145	177	183	-18	-21	202	-27.96
PAT	56	83	94	-32	-40	108	-47.94
Adjusted PAT	56	83	94	-32	-40	108	-47.94

Source: Company Filings; IndiaNivesh Research

We have seen a 10% rise in top-line in FY15, H2FY15 was little subdued compared to the first two quarters because of annual maintenance shut down in December and slowdown in 2W sales. Contribution of Bajaj auto in total revenue stands at above 40%. As Bajaj Auto sales start to pick up due to better export demand and revival in domestic market(after launch of Pulsar RS200 and new CT100), we expect upsurge in revenue and profitability of Lumax Auto technology going ahead. However, taking into consideration FY15 performance (especially operating margin front), we are revising our numbers downward. We cut 16E/ FY17 EPS by 22% due to reduction in assumption of revenue growth along with EBITDA margin. At CMP of Rs 264, LATL is trading at 8.2x FY16e and 6.0x FY17e EPS. We find current valuation attractive and maintain BUY rating on LATL with revised downward target price of Rs. 448 (10x FY17E EPS) from Rs. 575 earlier.

Quick Fundamentals (Rs. Mn)	Q4FY15	Q3FY15	Q4FY14	QoQ %	YoY %	FY15	FY14	YoY%
Revenue	2,010	2,093	1,934	-4	4	8,268	7,548	10
Other Operating Income	42	22	31	93	35	104	79	32
Total Income	2,051	2,115	1,965	-3	4	8,372	7,628	10
Cost of Revenues	1,906	1,938	1,782	-2	7	7,704	7,023	10
Raw Materials	1,540	1,549	1,445	-1	7	6,196	5,723	8
Other Expenditure	197	214	189	-8	4	832	714	17
Employee Expenses	169	169	148	0	14	676	586	15
EBIDTA	145	177	183	-18	-21	668	605	10
Depreciation	39	51	50	-24	-22	194	176	10
EBIT	107	126	133	-15	-20	474	429	11
Interest Expense	13	13	16	-2	-16	52	38	37
Other income	7	8	14	-14	-50	42	37	13
Exceptional item						214		
PBT	101	121	132	-17	-24	678	429	58
Provision for taxation	45	39	38	16	18	209	127	65
PAT	56	83	94	-32	-40	469	302	55
Adjusted PAT	56	83	94	-32	-40	320	302	6
EPS (RS.)	4.13	6.07	6.91			23.53	22.18	6
Margin %				Basis Points (BPS)				BPS
EBITDA	7.1	8.4	9.3	-129	-223	8.0	7.9	5
EBIT	5.2	6.0	6.8	-76	-158	5.7	5.6	5
PBT	4.9	5.7	6.7	-82	-180	8.1	5.6	248
PAT	2.7	3.9	4.8	-117	-205	5.6	4.0	164

Source: Company Filings; IndiaNivesh Research

Raw material prices increased 194 bps YoY (as a percentage of revenue) to 76.6% from 74.7% in Q4 FY15. Staff cost increased by 75 bps YoY to 8.4% (as a percentage of revenue) while other expenditure decreased by 45 bps YoY to 9.8% (as a percentage of revenue).

Cost Analysis (% of Revenue)	Q4FY15	Q3FY15	Q4FY14	bps QoQ	bps YoY	FY15	FY14	Change in bps
Raw Materials (Adj.)	76.6%	74.0%	74.7%	264	194	74.9%	75.8%	-88
Employee Expenses	8.4%	8.1%	7.6%	34	75	8.2%	7.8%	42
Other Expenses	9.8%	10.2%	9.8%	-45	1	10.1%	9.5%	60

Source: Company Filings; IndiaNivesh Research

Revised Estimates: Cut FY16E/ FY17E EPS by 22% and revised our target price to Rs. 448 (based on 10x FY17e EPS)

Taking into consideration FY15 performance (especially operating margin), we are revising our estimates downward. We cut 16E/ FY17 EPS by 22% due to reduction in assumption of revenue growth along with EBITDA margin. We expect revenue to grow at a CAGR of 16% from FY15 - FY17E (vs 18.7% earlier assumption) on the back of growth in value added products like LED lighting; Automatic gears shifter and Air intake systems. EBITDA margins expected to improve on the back of higher operating leverage. We project EBITDA margins at 8.8%/9.8% in FY16E/17E. EPS is expected to grow at a CAGR of 38% from FY15 - FY17E. We revise target price downward to Rs. 448 (10x FY17E EPS) vs our earlier target of Rs. 575.

Quick Fundamentals(Rs. mn)	FY15			FY16E			FY17E		
	Actual	Expected	Variance (%)	New	Old	change(%)	New	Old	change(%)
Revenue	8,372	8,732	-4	9,670	10,285	-6	11,308	12,298	-8
EBITDA	668	760	-12	851	1,028	-17	1,108	1,353	-18
EBITDA Margin(%)	8.0	8.7	(70) bps	8.8	10	(120) bps	9.8	11	(120) bps
PAT	320	393	-18	440	566	-22	611	783	-22
EPS (Rs)	23.5	28.8	-19	32.3	41.5	-22	44.8	57.5	-22

Valuation

We expect company to witness volume growth coupled with margin expansion in the next couple of years on the back of revival in automotive demand and value added products. With comfortable debt to equity of just 0.2x & strong ROE of ~22% we believe the company has potential to yield very high returns in next 2-3 years. The company has a consistent dividend track record with dividend payout of above 25%. Taking into consideration FY15 performance (especially operating margin front), we are revising our estimates downward. At CMP of Rs 264, LATL is trading at 8.2x FY16e and 6.0x FY17e EPS. We find current valuation attractive and maintain BUY rating on LATL with revised downward target price of Rs. 448 (10x FY17E EPS).

Consolidated Financials

Income Statement

Y E March (Rs m)	FY13	FY14	FY15	FY16e	FY17e
Net sales	7,663	7,628	8,372	9,670	11,308
Y/Y Ch %	2.1	-0.5	9.8	15.5	16.9
COGS	6,688	6,679	7,352	8,413	9,725
SG&A	304	344	352	406	475
EBITDA	672	605	668	851	1,108
Y/Y Ch %	4.2	-9.9	10.4	27.4	30.2
EBITDA Margin %	8.8	7.9	8.0	8.8	9.8
Depreciation	108	176	194	202	211
EBIT	564	429	474	649	897
EBIT Margin %	7.4	5.6	5.7	6.7	7.9
Interest	6	38	52	57	63
Other Income (Inc Forex)	37	38	42	46	50
Extra Ordinary Exps/(Income)	-	-	214	-	-
PBT	594	429	678	638	885
Tax	183	127	209	198	274
Effective tax rate %	30.9	29.6	30.8	31.0	31.0
Reported PAT	411	302	469	440	611
Y/Y Ch %	-19.0	-26.4	55.1	-6.1	38.7
Minority & Exceptional	-	-	-	-	-
Adj. PAT (APAT)	411	302	320	440	611
RPAT Margin %	5.4	4.0	3.8	4.6	5.4
Y/Y Ch %	-19.0	-26.4	5.9	37.6	38.7

Balance Sheet

Y E March (Rs m)	FY13	FY14	FY15e	FY16e	FY17e
Share Capital	136	136	136	136	136
Reserves & Surplus	1,977	2,123	2,455	2,785	3,243
Net Worth	2,113	2,260	2,591	2,921	3,379
Minority	0	0	0	0	0
Long-term + ST loans	274	524	277	227	177
Others	49	54	0	0	0
Total Liabilities	2,436	2,837	2,868	3,148	3,556
Gross Block	3,841	4,362	4,489	4,689	4,889
Less Depreciation	1,835	2,011	2,205	2,407	2,618
Net Block	2,006	2,351	2,284	2,282	2,271
Intangible	348	240	97	97	97
Investments	194	194	194	194	194
Deferred tax (net)	-101	-144	-158	-158	-158
Current Assets	1,781	1,949	2,161	2,559	3,315
Sundry Debtors	1,286	1,321	1,324	1,587	1,859
Cash & Bank Balance	98	139	195	344	722
Loans & advances	108	143	173	145	170
Inventories	288	346	469	484	565
Current Liabilities	1,607	1,514	1,559	1,590	1,859
Provisions	184	239	152	237	305
Net Current Assets	(10)	195	451	733	1,151
Total assets	2,436	2,837	2,868	3,148	3,556

Cash Flow

Y E March (Rs m)	FY13	FY14	FY15e	FY16e	FY17e
Operating Profit	564	429	474	649	897
Depreciation	108	176	194	202	211
Interest Exp	-6	-38	-52	-57	-63
Changes in Working Capital	208	-79	-95	-88	-37
Cash Flow After Chang in WCapital	874	488	521	706	1,009
Tax	-183	-127	-209	-198	-274
Others	0	0	0	0	0
Cash flow from operations	691	361	312	508	734
Capital expenditure (net)	-1,111	-414	-127	-200	-200
Free Cash Flow	-420	-53	185	308	534
Cash flow from investments	-1,111	-414	-127	-200	-200
Long-Term Debt (Decrease) Increase	257	249	-247	-50	-50
Dividend paid (incl tax)	-82	-82	-95	-110	-107
Share Issue / Repurchase & Others	-44	-74	214	0	0
Cash flow from Financing	132	94	-128	-160	-157
Net change in cash	-288	41	57	148	378
Cash at the beginning of the year	386	98	139	196	344
Cash at the end of the year	98	139	196	344	722

Key Ratios

Y E March	FY13	FY14	FY15e	FY16e	FY17e
Adj. EPS (Rs)	30.1	22.2	23.5	32.3	44.8
Cash EPS (Rs)	38.1	35.1	37.7	47.1	60.3
DPS (Rs)	6.0	6.0	7.0	8.1	11.2
BVPS	155.0	165.8	190.1	214.3	247.9
ROCE %	23.9	16.8	18.3	22.4	27.0
ROE %	19.4	13.4	12.4	15.1	18.1
ROIC %	13.5	7.8	7.8	10.5	14.2
EBITDA Margin %	8.8	7.9	8.0	8.8	9.8
PER (x)	8.8x	11.9x	11.2x	8.2x	5.9x
P/BV (x)	1.7x	1.6x	1.4x	1.2x	1.1x
P/CEPS (x)	6.9x	7.5x	7.0x	5.6x	4.4x
EV/EBITDA (x)	4.0x	4.2x	5.5x	4.1x	2.8x
Dividend payout %	19.9	27.1	29.8	25.0	25.0
m cap/sales (x)	0.3x	0.3x	0.4x	0.4x	0.3x
net debt/equity (x)	0.1x	0.2x	0.0x	0.0x	-0.2x
net debt/ebitda (x)	0.3x	0.6x	0.1x	-0.1x	-0.5x
Debtors (Days)	60	62	57	60	60.0x
Creditors (Days)	75	71	56	60	60
Inventory (Days)	14	17	20	18	18
Cash Conversion Cycle (Days)	-1	7	22	18	18

Source: Company Filings; IndiaNivesh Research

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IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: research@indianivesh.in | Website: www.indianivesh.in

